

TARIFF ACTION MEMO

Date: July 24, 2023

Date Filed: June 30, 2023

Statutory End Date: July 31, 2023

File No: TL11-746

Name of Utility: PTE Pipeline, LLC

Subject: Tariff Rate Revision

Recommendation

Staff recommends the Commission:

1. Approve Tariff Sheet No. 5 filed on June 30, 2023, with an effective date of August 1, 2023. A side-by-side copy is attached as Schedule KSA-1.

Please see attached Staff Memorandum supporting the above recommendations.

Signed: Kevin AufDerHeide

Title: Utility Financial Analyst

Kevin AufDerHeide

Commission decision regarding this recommendation:

	Date (if different from July 24, 2023)	<u>I Concur</u>	<u>I Do Not Concur</u>	<u>I Will Write A Dissenting Statement*</u>
Kurber		<u>KK</u>		
Doyle		<u>BD</u>		
Espindola		<u>JE</u>		
Pickett		<u>BP</u>		
Wilson		<u>JW</u>		

* If this column is initialed, Staff will contact the Commissioner for the statement; otherwise, the dissent will simply be noted at the close of the By Direction letter or order.

MEMORANDUM

To: Keith Kurber II, Chairman
Robert A. Doyle
John Espindola
Robert M. Pickett
Janis W. Wilson

Date: July 24, 2023

From: Kevin AufDerHeide, Utility Financial Analyst

Subject: TL11-746 PTE Pipeline LLC, Tariff Rate Revision

Recommendation

Staff recommends the Commission:

1. Approve Tariff Sheet No. 5 filed on June 30, 2023, with an effective date of August 1, 2023. A side-by-side copy is attached as Schedule KSA-1.

Background

The Point Thomson Export Pipeline (PTEP) is a 22 mile, 12-inch pipeline which transports from the Point Thomson Unit to an interconnection with the Badami Pipeline.

In Docket No. P-18-018 the Commission accepted a settlement agreement¹ filed by PTEP LLC and the State of Alaska (State), setting, among other things, permanent tariff rules, and a settlement rate of \$20.84 per barrel for the period September 1, 2018 – December 31, 2019.²

PTEP LLC's Settlement Agreement specifies that PTEP LLC is required to file revised interstate and intrastate rates by December 1 to be effective January 1 of each year. The rates may be no higher than the maximum rate calculated for each type of transportation, using the PTSM.³ The Settlement Agreement also allows PTEP LLC to adjust the maximum rate during the course of a year to reflect new or additional data that

¹ Order P-18-018(3), *Order Accepting Settlement Agreement and Closing Docket*, dated August 27, 2019.

²Order P-18-018(1), In the Matter of the Tariff revision Designated as TL2-746 Filed by PTEP LLC for Revised Rates, dated August 29, 2018.

³ See Section I-4(C)(a) of the Settlement Agreement.

results in at least a 10 percent increase or decrease to the maximum rate for that year.⁴ The settlement agreement also requires PTEP LLC to provide all supporting information used to calculate the maximum rates to the State 60 days prior to filing its revised rates with the Federal Energy Regulatory Commission (FERC) and the State.⁵

On December 2, 2019, PTEP LLC filed TL3-746, proposing to decrease the rate from \$20.84 per barrel (bbl) to \$12.80/bbl, effective January 1, 2020. On December 23, 2019, the Commission approved Tariff Sheet No. 5, filed on December 2, 2019.⁶

On June 11, 2020, PTEP LLC filed TL4-746, proposing to decrease the rate from \$12.80/bbl to \$8.77/bbl effective July 1, 2020. On June 29, 2020, the Commission approved Tariff Sheet No. 5, filed on June 11, 2020.⁷

On November 13, 2020, PTEP LLC filed TL5-746, proposing to increase the rate from \$8.77/bbl to \$8.92/bbl effective January 1, 2021. On December 10, 2020, the Commission approved Tariff Sheet No. 5, filed on November 13, 2020.⁸

On November 19, 2021, PTEP LLC filed TL6-746, proposing to increase the rate from \$8.92/bbl to \$9.80/bbl effective January 1, 2022. On December 16, 2021, the Commission approved Tariff Sheet No. 5, filed on November 19, 2021.⁹

On April 11, 2022, PTEP LLC filed TL8-746, proposing to decrease the rate from \$9.80/bbl to \$7.79/bbl effective May 1, 2022. On April 26, 2022, the Commission approved Tariff Sheet No. 5, filed on April 11, 2022.¹⁰

On November 30, 2022, PTEP LLC filed TL9-746, proposing to increase the rate from \$7.79/bbl to \$7.85/bbl effective January 1, 2023. On December 28, 2022, the Commission approved Tariff Sheet No. 5, filed on November 30, 2022.¹¹

⁴ See Section I-4(C)(b) of the Settlement Agreement.

⁵ See Section I-5(a) of the Settlement Agreement.

⁶ See Letter Order L1900472, dated December 23, 2019.

⁷ See Letter Order L2000264, dated June 30, 2020.

⁸ See Letter Order L2000430, dated December 10, 2020.

⁹ See Letter Order L2100416, dated December 17, 2021.

¹⁰ See Letter Order L2200140, dated April 27, 2022.

¹¹ See Letter Order L2200431, dated December 28, 2022.

On May 30, 2023, PTEP LLC filed TL10-746, proposing to increase the rate from \$7.85/bbl to \$12.49/bbl effective July 1, 2023. On June 23, 2023, the Commission approved Tariff Sheet No. 5, filed on May 30, 2023.¹²

Filing

On June 30, 2023, PTEP LLC filed Tariff Sheet No. 5 with TL11-746, proposing to increase the rate from \$12.49/bbl to \$25.05/bbl, for intrastate transportation of petroleum on the PTEP from the Point Thomson Unit to an interconnection with the Badami Pipeline, effective August 1, 2023.

PTEP LLC indicated the rate increase is necessary because since the May 30, 2023, filing, throughput has continued to decline and is expected to remain low for the remainder of 2023. If this throughput trend continues for the remainder of 2023, a recalculation of the maximum rate would result in an increase in the 2023 maximum rate of more than 10 percent.¹³ PTEP LLC filed TL11-746 in compliance with Section I-4.C (b) of the Settlement Agreement.

PTEP LLC is required to provide its preliminary rate calculation to the State 60 days prior to filing the revised rates so the parties can seek to resolve any questions or disputes regarding the rates calculated under the PTSM prior to the annual filing of the revised rates. PTEP LLC represented that “Representatives of PTE Pipeline have shared the updated throughput information with representatives of the State and have consulted with them regarding this proposed rate increase. Based on that consultation, PTE Pipeline is authorized to represent that the State waives the 60-day review period set forth in Section I-5(a)(i) of the Settlement Agreement.”¹⁴

Although the Commission did not impose any condition on PTEP LLC to provide a hard copy printout or a disk containing the calculation of the rates using the PTSM, on July

¹² See Letter Order L2300203, dated June 23, 2023.

¹³ TL11-476, at page 2.

¹⁴ TL11-476, at page 3.

6, 2023, PTEP LLC provided Staff the requested PTEP Settlement Model Excel workpapers and Staff held the file confidential pursuant to 3 AAC 48.040(b)(10).¹⁵

Notice

The Commission issued a public notice for TL11-746 on July 7, 2023, with comments requested by July 21. No comments were received by the Commission. In addition to the Commission's public notice, PTEP LLC notified the State and all parties on the subscriber list, including all PTEP shippers over the past twelve months.¹⁶

Analysis

Staff reviewed the components of the Settlement Agreement and the confidential Excel schedules provided for TL11-746 and verified the rate was calculated in accordance with the PTSM. Under the PTSM, the total cost of service is calculated as follows:¹⁷ (Operating Expenses + DR&R Allowance + Depreciation + Equity AFUDC Allowance + IDC Amortization + Return on Rate Base + Income Tax Allowance + Net Carryover¹⁸). The Maximum Rate for Intrastate Transportation equals the ratio of the projected Total Cost of Service divided by the projected net deliveries of petroleum, rounded to the nearest cent, as provided for in the PTSM.¹⁹

Staff reviewed the model and verified PTEP LLC's assertion that projected 2023 throughput is less than the throughput in PTEP LLC's existing rate.

¹⁵ 3 AAC 48.040 Confidential Records.

(b) The following records are confidential and are not open to inspection by the public unless they are released under 3 AAC 48.049 or court order or their release is authorized by the person with confidentiality interests:

(10) records of a regulated public utility, pipeline carrier, or pipeline submitted to or copied by the commission's advisory staff during any audit, review, or investigation in connection with any formal or informal proceeding

¹⁶ TL11-746, at page 3.

¹⁷ See Section II-3(a) of the Settlement Agreement.

¹⁸ The net carry over is a mechanism embedded in the rate model to ensure that over time PTEP LLC recovers its exact revenue requirements. If there is an over collection in a given year, the following year's rate is reduced by the revenue surplus (plus interest). However, in years of under collection, the following year's rate is increased by the revenue shortfall (plus interest). This mechanism ensures that over time, the pipeline carrier collects its exact revenue requirements. See Section II-13 of the Settlement Agreement.

¹⁹ See Section II-1(c) of the Settlement Agreement.

Staff has not recalculated the model's computations, but rather accepts that the PTSM model accepted by the Commission in Order P-18-018(3) functions as designed. Staff notes that it was not able to independently verify the individual cost components or throughput volumes of the rate calculations because calculations are derived from company estimates, to which Staff does not have access. Therefore, Staff is relying on the settling parties to protest the proposed rate by filing comments during the public notice period if they believe the proposed rates violate the PTSM.

Tariff Sheet

Staff reviewed Tariff Sheet No. 5, filed in TA11-746 and verified the proposed rate is consistent with the calculated Maximum Rate.

Conclusion

Staff's review of TL11-746 indicates that PTEP LLC's proposed rate revisions, as calculated, are less than or equal to the maximum allowable rate in accordance with the Settlement Agreement, and therefore, Staff recommends the Commission approve Tariff Sheet No. 5, filed in TL11-746 on June 30, 2023, effective August 1, 2023.

Signature: Keith Kurber II
Keith Kurber II (Jul 24, 2023 08:18 AKDT)

Email: keith.kurber@alaska.gov

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MAY 30 2023

STATE OF ALASKA
REGULATORY COMMISSION OF ALASKA

RCA No. 746 Tenth Revised
Canceling Ninth Revised

Sheet No. 5
Sheet No. 5

PTE PIPELINE, LLC

RATE

<u>Item</u>	<u>From</u>	<u>To</u>	<u>Rates Dollars and Cents Per Barrel</u>	
3.1	Point Thomson Unit Central Production Facility, Alaska	Badami Pipeline Connection, Alaska	\$12.49	[I]

Symbol: [I] Denotes an Increase

Tariff Advice No. 10-746

Effective Date: July 1, 2023

Issued by: PTE Pipeline, LLC

By: Andrew Limmer

Title: President



RCA No. 746 Eleventh Revised
Canceling Tenth Revised

Sheet No. 5
Sheet No. 5

PTE PIPELINE, LLC

RATE

<u>Item</u>	<u>From</u>	<u>To</u>	<u>Rates Dollars and Cents Per Barrel</u>	
3.1	Point Thomson Unit Central Production Facility, Alaska	Badami Pipeline Connection, Alaska	\$25.05	[I]

Symbol: [I] Denotes an Increase

Tariff Advice No. 11-746

Effective Date: August 1, 2023

Issued by: PTE Pipeline, LLC

By: Andrew Limmer

Title: President